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TOWN OF WALPOLE, NEW HAMPSHIRE

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010



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**TOWN OF WALPOLE, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

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Roberts, Greene & Drolet, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Walpole, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Walpole, New Hampshire as of and for the year ended December 31, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Walpole, New Hampshire as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Walpole has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Walpole's basic financial statements. The combining nonmajor funds and individual general fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 19, 2011

Roberts, Greene & Drolet, PLLC

EXHIBIT 1
TOWN OF WALPOLE, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,724,069
Investments	3,945,597
Intergovernmental receivable	9,703
Other receivables, net of allowance for uncollectibles	874,487
Prepaid items	25,337
Tax deeded property	16,275
Capital assets, not being depreciated:	
Land	997,954
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	699,235
Machinery, vehicles and equipment	799,755
Infrastructure	1,311,074
Total assets	<u>12,403,486</u>
LIABILITIES	
Accounts payable	188,913
Accrued payroll and benefits	25,023
Intergovernmental payable	2,859,097
Performance and escrow deposits	5,477
Noncurrent obligations:	
Due within one year:	
Accrued landfill postclosure care costs	13,550
Due in more than one year:	
Compensated absences	16,776
Accrued landfill postclosure care costs	298,100
Total liabilities	<u>3,406,936</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,808,018
Restricted for:	
Perpetual care	3,397,851
Other purposes	391,004
Unrestricted	1,399,677
Total net assets	<u>\$ 8,996,550</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 2
TOWN OF WALPOLE, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
Governmental activities:					
General government	\$ 551,423	\$ 5,986	\$ -	\$ -	\$ (545,437)
Public safety	455,516	23,541	7,936	-	(424,039)
Highways and streets	1,279,833	2,045	128,520	-	(1,149,268)
Sanitation	426,734	401,427	-	-	(25,307)
Water distribution and treatment	133,202	172,231	14,455	-	53,484
Health	23,061	-	-	-	(23,061)
Welfare	26,350	-	-	-	(26,350)
Culture and recreation	208,858	56,621	-	-	(152,237)
Conservation	7,971	-	-	-	(7,971)
Interest on long-term debt	9,625	-	-	-	(9,625)
Capital outlay	128,366	-	-	128,366	-
Total governmental activities	<u>\$ 3,250,939</u>	<u>\$ 661,851</u>	<u>\$ 150,911</u>	<u>\$ 128,366</u>	<u>(2,309,811)</u>
General revenues:					
Property taxes					1,564,870
Other taxes					96,395
Licenses and permits					571,373
Grants and contributions not restricted to specific programs					172,453
Miscellaneous					418,482
Total general revenues					<u>2,823,573</u>
Change in net assets					513,762
Net assets, beginning, as restated, see Note III.D.					8,482,788
Net assets, ending					<u>\$ 8,996,550</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 3
TOWN OF WALPOLE, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2010

	General	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,182,474	\$ 303,439	\$ 238,156	\$ 3,724,069
Investments	-	3,496,666	448,931	3,945,597
Receivables (net of allowance for uncollectibles):				
Taxes	797,711	-	-	797,711
Accounts	7,356	-	69,420	76,776
Intergovernmental	9,703	-	-	9,703
Interfund receivable	11,335	-	35,723	47,058
Prepaid items	22,207	-	3,130	25,337
Tax deeded property for resale	16,275	-	-	16,275
Total assets	<u>\$ 4,047,061</u>	<u>\$ 3,800,105</u>	<u>\$ 795,360</u>	<u>\$ 8,642,526</u>
LIABILITIES				
Accounts payable	\$ 186,255	\$ -	\$ 2,658	\$ 188,913
Accrued salaries and benefits	25,023	-	-	25,023
Intergovernmental payable	2,859,097	-	-	2,859,097
Interfund payable	19,283	10,348	17,427	47,058
Deferred revenue	260,000	-	59,212	319,212
Escrow and performance deposits	4,575	902	-	5,477
Total liabilities	<u>3,354,233</u>	<u>11,250</u>	<u>79,297</u>	<u>3,444,780</u>
FUND BALANCES				
Reserved for encumbrances	70,373	-	-	70,373
Reserved for endowments	-	3,397,851	-	3,397,851
Reserved for special purposes	-	391,004	-	391,004
Reserved for tax deeded property	16,275	-	-	16,275
Unreserved, undesignated, reported in:				
General fund	606,180	-	-	606,180
Special revenue funds	-	-	716,063	716,063
Total fund balances	<u>692,828</u>	<u>3,788,855</u>	<u>716,063</u>	<u>5,197,746</u>
Total liabilities and fund balances	<u>\$ 4,047,061</u>	<u>\$ 3,800,105</u>	<u>\$ 795,360</u>	<u>\$ 8,642,526</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 4
TOWN OF WALPOLE, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Assets
December 31, 2010

Total fund balances of governmental funds (Exhibit 3)			\$ 5,197,746
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			
Cost	\$	5,329,073	
Less accumulated depreciation		<u>(1,521,055)</u>	
			3,808,018
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.			
Receivables	\$	(47,058)	
Payables		<u>47,058</u>	
			-
Long-term revenues are not available to pay for current period expenditures, and therefore, are deferred in the funds.			
Deferred tax revenue	\$	260,000	
Deferred water rents		24,979	
Deferred sewer rents		<u>34,233</u>	
			319,212
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.			
Compensated absences payable	\$	16,776	
Accrued landfill postclosure care costs		<u>311,650</u>	
			<u>(328,426)</u>
Total net assets of governmental activities (Exhibit 1)			<u>\$ 8,996,550</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 5
TOWN OF WALPOLE, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,655,265	\$ -	\$ 25,000	\$ 1,680,265
Licenses, permits and fees	571,373	-	-	571,373
Intergovernmental	529,897	-	128,366	658,263
Charges for services	245,293	39,900	360,024	645,217
Miscellaneous	29,882	312,796	75,804	418,482
Total revenues	<u>3,031,710</u>	<u>352,696</u>	<u>589,194</u>	<u>3,973,600</u>
Expenditures:				
Current:				
General government	441,658	82,122	-	523,780
Public safety	445,283	-	-	445,283
Highways and streets	1,461,826	-	-	1,461,826
Sanitation	326,019	-	174,510	500,529
Water distribution and treatment	-	-	144,176	144,176
Health	23,061	-	-	23,061
Welfare	26,350	-	-	26,350
Culture and recreation	139,078	-	62,274	201,352
Conservation	-	3,535	9,548	13,083
Debt service:				
Principal	306,927	-	-	306,927
Interest	17,471	-	-	17,471
Capital outlay	-	-	128,366	128,366
Total expenditures	<u>3,187,673</u>	<u>85,657</u>	<u>518,874</u>	<u>3,792,204</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(155,963)</u>	<u>267,039</u>	<u>70,320</u>	<u>181,396</u>
Other financing sources (uses):				
Transfers in	16,725	2,250	48,194	67,169
Transfers out	(32,018)	(11,224)	(23,927)	(67,169)
Total other financing sources and uses	<u>(15,293)</u>	<u>(8,974)</u>	<u>24,267</u>	<u>-</u>
Net change in fund balances	(171,256)	258,065	94,587	181,396
Fund balances, beginning, as restated, see Note III.D.	864,084	3,530,790	621,476	5,016,350
Fund balances, ending	<u>\$ 692,828</u>	<u>\$ 3,788,855</u>	<u>\$ 716,063</u>	<u>\$ 5,197,746</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 6
TOWN OF WALPOLE, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2010

Net change in fund balances of governmental funds (Exhibit 5)			\$ 181,396
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.			
	Capitalized capital outlay	\$ 371,382	
	Depreciation expense	<u>(195,889)</u>	
			175,493
Transfers in and out between governmental funds are eliminated on the operating statement.			
	Transfers in	\$ (67,169)	
	Transfers out	<u>67,169</u>	
			-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.			
	Change in deferred tax revenue	\$ (19,000)	
	Change in deferred water rents	6,935	
	Change in deferred sewer rents	<u>9,699</u>	
			(2,366)
Long-term receivables are not available to pay for current expenditures, and therefore, are not recognized in the governmental funds			
	Decrease in long-term receivable		(206,533)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets.			
	Repayment of bond principal	\$ 306,926	
	Repayment of capital lease principal	<u>13,780</u>	
			320,706
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.			
	Decrease in accrued interest expense	\$ 717	
	Decrease in prepaid interest expense	7,130	
	Increase in compensated absences payable	(3,431)	
	Decrease in accrued landfill postclosure care costs	<u>40,650</u>	
			45,066
Change in net assets of governmental activities (Exhibit 2)			<u>\$ 513,762</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 7
TOWN OF WALPOLE, NEW HAMPSHIRE
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2010

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 9,478	\$ 205,049
Investments	101,358	792,763
Total assets	<u>110,836</u>	<u>997,812</u>
Liabilities:		
Due to other governmental units	-	992,755
Due to developers	-	5,057
Total liabilities	<u>-</u>	<u>997,812</u>
Net assets:		
Held in trust for specific purposes	<u>\$ 110,836</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 8
TOWN OF WALPOLE, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2010

	Private Purpose Trust
Additions:	
Miscellaneous	\$ 8,833
Investment earnings:	
Interest	17,116
Net change in fair value of investments	94
Total additions	<u>26,043</u>
Deductions:	
Trust distributions	<u>12,638</u>
Change in net assets	13,405
Net assets, beginning	<u>97,431</u>
Net assets, ending	<u><u>\$ 110,836</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF WALPOLE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Walpole (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended December 31, 2010.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

The Town of Walpole is a municipal corporation governed by a board of selectmen consisting of three members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Town's financial statements do not include any component units.

I.B.2. *Government-Wide and Fund Financial Statements*

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which finance the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

**TOWN OF WALPOLE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual, governmental funds are reported in separate columns with composite columns for nonmajor funds.

I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year, with the exception of property taxes which are recognized if expected to be collected in time to pay the liabilities to the school district that are due over the next six months. Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are property taxes, intergovernmental amounts, charges for services such as water and sewer, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

**TOWN OF WALPOLE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
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I.B.4. Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental funds:

General Fund – Reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Permanent Fund – Used to account for the financial resources of the funds held by the trustees of trust funds, from which only income, and not principal, is used for supporting Town purposes.

The Town also reports six nonmajor governmental funds.

Fiduciary Funds

The Town reports the following fiduciary funds:

Private Purpose Trust Funds – Account for financial resources of the Town used only for the benefit of other entities or individuals.

Agency Funds – Account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town's agency funds are used to account for the various capital reserve accounts held by the trustees of trust funds on behalf of the village districts and the local school district, and escrow accounts due to developers.

I.C. Assets, Liabilities, and Net Assets or Fund Equity

I.C.1. Cash and Investments

The laws of the State of New Hampshire require that the Town's treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383.22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

Investments are stated at fair value based on quoted market prices.

New Hampshire law authorizes the Town to invest in obligations of the United States government; the

TOWN OF WALPOLE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010

public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers' acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

I.C.2. *Prepays*

Prepays are payments to vendors that benefit future reporting periods and are reported on the consumption basis. In addition, in the governmental funds, payments of interest on long-term debt before it is due, is recorded as a prepaid item.

I.C.3. *Capital Assets and Depreciation*

Generally, the Town's property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$15,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	Years
Land improvements	20
Buildings and building improvements	25-39
Machinery, vehicles and equipment	5-20
Infrastructure	25-50

I.C.4. *Long-Term Debt*

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

**TOWN OF WALPOLE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

I.C.5. *Fund Equity*

The government-wide statement of net assets reports net assets in the following components:

- Invested in capital assets, net of related debt, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for perpetual care, which consists of the balance of the permanent funds where the principal must be permanently invested and the income is allowed to be used only for cemetery care.
- Restricted for other purposes, which consists of the balance of the permanent funds where the principal must be permanently invested and the income is allowed to be used for other Town purposes.
- Unrestricted, which consists of the remaining balance of net assets.

The governmental funds report the following reservations of fund balance:

- Reserve for encumbrances, which consists of the balance of unexpended appropriations for specific purposes to be carried over to supplement the appropriations of the subsequent year.
- Reserve for endowments, which consists of the principal balance of permanent funds that can only be used for specific purposes.
- Reserve for special purposes, which consists of the income balance of permanent funds that was donated or left to the Town for specific purposes.
- Reserve for tax deeded property, which consists of the balance of property taken by tax deed that is held for resale and not considered available to liquidate liabilities of the current period.

I.D. *Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

TOWN OF WALPOLE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, as well as the nonmajor Water Department and Sewer Department Funds. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2010, \$12,700 of the General Fund unreserved fund balance from 2009 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be added to the appropriations voted in the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, water distribution and treatment, health, welfare, culture and recreation, conservation, debt service and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. *Cash and Investments*

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2010, \$3,015,986 of the Town of Walpole's bank balances of \$3,777,446 was exposed to custodial credit risk as uninsured and uncollateralized.

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As of December 31, 2010, the Town's reporting entity had the following investments:

Certificates of Deposit	\$ 824,758
Mutual Funds	1,451,373
Common Stock	2,489,049
New Hampshire Public Deposit Investment Pool	74,538
	<u>\$ 4,839,718</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 3,945,597
Fiduciary funds - statement of fiduciary net assets (Exhibit 7)	894,121
Total	<u>\$ 4,839,718</u>

Investment Risks

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. New Hampshire law limits investments to those described in Note I.C.1. The Town does not have an investment policy that places any further restrictions on its investment choices.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town does not have an investment policy that addresses limiting interest rate risk.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have an investment policy that addresses concentration of credit risk. As of December 31, 2010, excluding the investments in the New Hampshire Public Deposit Investment Pool, the Town has \$788,695 invested in the Columbia Select Large Cap Growth Fund, \$401,351 in the Pimco Total Return Fund, \$252,579 in the Columbia Value and Restructuring Fund, and \$248,682 in the Eaton Vance Large Cap Value Fund. These amounts are 16.30%, 8.29%, 5.22% and 5.14%, respectively, of the total investments.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Of the Town's \$4,839,718 of investments, \$2,489,049 has exposure to custodial credit risk because the related securities are uninsured and uncollateralized and are held by the counter party's trust department or agent, not in the Town's name.

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III.A.2. *Receivables, Uncollectible Accounts and Deferred Revenue*

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of lien taxes. Properties not redeemed within two years of the date of the tax lien are deeded to the Town. During the current year, the Walpole tax collector executed a lien for uncollected 2009 property taxes on March 30, and the North Walpole tax collector executed a lien for uncollected 2009 property taxes on July 26.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Fall Mountain Regional School District, North Walpole Village Precinct, Walpole Fire District and Cheshire County. The Town is responsible for the collection of all these taxes. During the annual tax rate setting process, the Town sets an amount for potential abatements and tax deedings, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

The net assessed valuation as of April 1, 2010, upon which the 2010 property tax levy was based was:

For the New Hampshire education tax	\$ 423,786,884
For all other taxes	\$ 442,410,284

The tax rates and amounts assessed for the year ended December 31, 2010 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$3.73	\$ 1,648,808
School portion:		
State of New Hampshire	\$2.18	925,194
Local	\$10.23	4,527,932
County portion	\$3.12	1,378,288
Precinct portion:		
North Walpole Village	\$4.18	278,259
Walpole Fire	\$0.68	255,572
Total property taxes assessed		<u>\$ 9,014,053</u>

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The following details the taxes receivable at year-end:

Property:	
Levy of 2010	\$ 671,894
Levy of 2009	42
Unredeemed (under tax lien):	
Levy of 2009	81,338
Levy of 2008	37,231
Levies of 2007 and 2006	2,614
Land use change	4,000
Timber	592
Total	<u>\$ 797,711</u>

Other Receivables and Uncollectible Accounts

Significant receivables include amounts due from customers primarily for water and sewer services, police details, and reimbursements. These funds report accounts receivable net of any allowance for uncollectible accounts, and revenues net of uncollectibles. The allowance amounts consist of sewer charges and a police detail for which collection is in doubt. Related amounts are shown in the following table:

Accounts	\$ 96,926
Intergovernmental	9,703
Less: allowance for uncollectible amounts	(20,150)
Net total receivables	<u>\$ 86,479</u>

(The notes are continued on the next page.)

TOWN OF WALPOLE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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III.A.3. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	Balance, beginning	Additions	Disposals	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 992,842	\$ 5,112	\$ -	\$ 997,954
Being depreciated:				
Land improvements	52,880	-	-	52,880
Buildings and building improvements	1,403,330	-	-	1,403,330
Machinery, vehicles and equipment	1,417,828	64,643		1,482,471
Infrastructure	1,090,811	301,627		1,392,438
Total capital assets being depreciated	3,964,849	366,270	-	4,331,119
Total all capital assets	4,957,691	371,382	-	5,329,073
Less accumulated depreciation:				
Land improvements	(52,880)	-	-	(52,880)
Buildings and building improvements	(658,698)	(45,397)	-	(704,095)
Machinery, vehicles and equipment	(564,557)	(118,159)	-	(682,716)
Infrastructure	(49,031)	(32,333)	-	(81,364)
Total accumulated depreciation	(1,325,166)	(195,889)	-	(1,521,055)
Net book value, capital assets being depreciated	2,639,683	170,381	-	2,810,064
Net book value, all capital assets	<u>\$ 3,632,525</u>	<u>\$ 175,493</u>	<u>\$ -</u>	<u>\$ 3,808,018</u>

Depreciation Expense

Depreciation expense was charged to functions of the Town as follows:

Governmental activities:	
General government	\$ 28,615
Public safety	15,259
Highways and streets	137,761
Sanitation	6,748
Culture and recreation	7,506
Total depreciation expense	<u>\$ 195,889</u>

III.A.4. Restricted Net Assets

The government-wide statement of net assets includes restricted net assets of \$3,788,855 for public trusts reported as restricted to reflect purpose restrictions contained in trust indentures.

TOWN OF WALPOLE, NEW HAMPSHIRE
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III.B. Liabilities

III.B.1. Intergovernmental Payable

The amount due to other governments at December 31, 2010 consists of \$2,835,403 due to the Fall Mountain Regional School District for the balance of the 2010-2011 district assessment, and \$23,694 due to the Walpole Fire District for the balance of the 2010 district assessment.

III.B.2. Long-Term Debt

General obligation bonds are approved by the voters and repaid with general revenues (property taxes). These bonds are backed by the full faith and credit of the Town. Long-term debt currently outstanding is as follows:

	Outstanding at 12/31/2010	Current Portion
Compensated absences payable:		
Accrued vacation leave	\$ 16,776	\$ -
Accrued landfill postclosure care costs	311,650	13,550
	<u>\$ 328,426</u>	<u>\$ 13,550</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2010:

	General Obligation Bonds Payable	Capital Leases Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning	\$ 306,926	\$ 13,780	\$ 13,345	\$ 352,300	\$ 686,351
Additions	-	-	3,431	-	3,431
Reductions	(306,926)	(13,780)	-	(40,650)	(361,356)
Balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,776</u>	<u>\$ 311,650</u>	<u>\$ 328,426</u>

Accrued Landfill Postclosure Care Costs

Federal and State laws and regulations require that the Town continue to perform certain maintenance and monitoring functions at the landfill site. A liability is being recognized based on the postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance

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of \$311,650 as of December 31, 2010. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of December 31, 2010. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. The Town annually appropriates an amount for postclosure care costs.

III.C. Balances and Transfers – Payments Within the Reporting Entity

III.C.1. *Receivables and Payables*

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

The following schedule reports receivables and payables within the reporting entity at fiscal year-end:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Permanent	\$ 10,348
General	Nonmajor	987
Nonmajor	General	19,283
Nonmajor	Nonmajor	16,440
		<u>\$ 47,058</u>

The amount due to the General Fund from the Permanent Fund represents reimbursement of maintenance expenditures. The amount receivable in the General Fund from the nonmajor funds represents reimbursements an overdraft of pooled cash. The amount receivable in the nonmajor funds represents funds owed to the Conservation Commission from the General Fund for previous years’ land use change tax and balances of appropriations. The amount payable from the nonmajor funds to other nonmajor funds represents a reimbursement owed to the Water Department Fund from the Sewer Department Fund.

III.C.2. *Transfers*

Transfers within the reporting entity are substantially for distributing taxes to the fund for which the appropriation was made, cemetery lot sales, reimbursements, and distributing trust income to the applicable fund. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

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The following schedule reports transfers within the reporting entity:

	Transfers In:			
	General Fund	Permanent Fund	Nonmajor Funds	Total
Transfers out:				
General fund	\$ -	\$ 2,250	\$ 29,768	\$ 32,018
Permanent fund	5,798	-	5,426	11,224
Nonmajor funds	10,927	-	13,000	23,927
	<u>\$ 16,725</u>	<u>\$ 2,250</u>	<u>\$ 48,194</u>	<u>\$ 67,169</u>

III.D. Restatement of Beginning Equity

Net assets and fund balances at January 1, 2010 were restated to reflect the following adjustments:

	Governmental Activities	General Fund	Nonmajor Funds
To record prepaid items	\$ 8,189	\$ 8,189	\$ -
To record deferred revenue	-	(260,000)	(42,578)
Fund balance, as previously reported	8,474,599	1,115,895	664,054
Fund balance, as restated	<u>\$ 8,482,788</u>	<u>\$ 864,084</u>	<u>\$ 621,476</u>

IV. Other Information

IV.A. Risk Management

The Town's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the Town was a member of the Local Government Center Property-Liability Trust, Inc., which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

Local Government Center Property-Liability Trust, Inc. (the Trust) – This Trust is organized to provide certain property and liability protection to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30.

Contributions paid in 2010 for fiscal year 2011 ending June 30, 2011 to be recorded as an insurance expenditure/expense totaled \$33,437. There were no unpaid contributions for the year ending June 30, 2011 and due in 2010. The Town also paid \$33,938 for workers' compensation for the year ended December 31, 2010. The trust agreement permits the Trust to make additional assessments to

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members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The Town's police officers and other employees are members of the NHRS. The NHRS provides service, disability, death and vested retirement benefits for the members and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution for police officers is 9.3% of gross earnings. The rate of contribution for other employees is 5% of gross earnings. For the period of January 1 to June 30, 2010, the rate of contribution for pension from the Town was 13.66% for police, which consisted of 70% of the total employer cost. For the period of July 1 to December 31, the rate of contribution for pension and the medical subsidy was 14.63% for police, which consisted of 75% of the total employer cost. The balance of the employer cost for police was paid by the State of New Hampshire. The rate for other employees was 9.16% for the year, which was 100% of the total employer cost. Employer contributions from the Town during the years 2008, 2009 and 2010 were \$63,869, \$65,339 and \$68,080, respectively. The amounts are paid on a monthly basis as due. The amount paid by the State for 2010 was \$7,936. This amount has been reported as an expenditure/expense and revenue on the government-wide statement of activities and on the governmental funds statement of revenues, expenditures and changes in fund balances.

IV.C. Contingent Liabilities

The Town has received federal and state grants for specific purposes that are subject to review and possible audit by the grantor or pass-through agencies. Any such audit may result in a requirement to reimburse the grantor agency for costs disallowed. The Town does not feel the chance of disallowance is likely, and if it should occur, the amount would not be material.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 9
TOWN OF WALPOLE, NEW HAMPSHIRE
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 1,615,874	\$ 1,615,874	\$ 1,655,265	\$ 39,391
Licenses, permits and fees	597,950	597,950	571,373	(26,577)
Intergovernmental	586,800	586,800	521,961	(64,839)
Charges for services	205,500	205,500	245,293	39,793
Miscellaneous	29,350	29,350	29,882	532
Total revenues	<u>3,035,474</u>	<u>3,035,474</u>	<u>3,023,774</u>	<u>(11,700)</u>
EXPENDITURES				
Current:				
General government	472,436	485,136	426,357	58,779
Public safety	493,489	493,489	437,347	56,142
Highways and streets	1,561,018	1,561,018	1,532,199	28,819
Sanitation	343,884	343,884	326,019	17,865
Health	22,500	22,500	23,061	(561)
Welfare	28,914	28,914	26,350	2,564
Culture and recreation	152,849	152,849	139,078	13,771
Debt service:				
Principal	306,927	306,927	306,927	-
Interest	17,471	17,471	17,471	-
Total expenditures	<u>3,399,488</u>	<u>3,412,188</u>	<u>3,234,809</u>	<u>177,379</u>
Deficiency of revenues under expenditures	<u>(364,014)</u>	<u>(376,714)</u>	<u>(211,035)</u>	<u>165,679</u>
Other financing sources (uses):				
Transfers in	16,769	16,769	16,725	(44)
Transfers out	(24,755)	(24,755)	(32,018)	(7,263)
Long-term debt issued	372,000	372,000	-	(372,000)
Total other financing sources and uses	<u>364,014</u>	<u>364,014</u>	<u>(15,293)</u>	<u>(379,307)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (12,700)</u>	<u>(226,328)</u>	<u>\$ (213,628)</u>
Increase in reserve for tax deeded property			(16,275)	
Unreserved fund balance, beginning, as restated, see Note III.D.			848,783	
Unreserved fund balance, ending			<u>\$ 606,180</u>	

The note to the required supplementary information is an integral part of this statement.

TOWN OF WALPOLE, NEW HAMPSHIRE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
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Reconciliation of Budgetary Basis to GAAP

General Fund:

Revenues and other financing sources:	
Per Exhibit 9 (budgetary basis)	\$ 3,040,499
Adjustment:	
Basis difference:	
On-behalf retirement contribution payments made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	<u>7,936</u>
Per Exhibit 5 (GAAP basis)	<u>\$ 3,048,435</u>
Expenditures and other financing uses:	
Per Exhibit 9 (budgetary basis)	\$ 3,266,827
Adjustments:	
Basis difference:	
Encumbrances, beginning	15,301
Encumbrances, ending	(70,373)
On-behalf retirement contribution payments made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	<u>7,936</u>
Per Exhibit 5 (GAAP basis)	<u>\$ 3,219,691</u>

The major Permanent Fund is not budgeted.

COMBINING NONMAJOR FUNDS AND INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 10
TOWN OF WALPOLE, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2010

		Special Revenue Funds					Expendable Trust	Total
	Library	Energy Grant	Conservation Commission	Water Department	Sewer Department			
ASSETS								
Cash and cash equivalents	\$ 44,777	\$ 2,658	\$ 95,064	\$ 29,409	\$ 50,447	\$ 15,801	\$ 238,156	
Investments	11,576	-	-	-	-	437,355	448,931	
Accounts receivable, net of allowance for uncollectible accounts	-	-	-	29,875	39,545	-	69,420	
Interfund receivable	-	-	19,283	16,440	-	-	35,723	
Prepaid items	-	-	-	1,174	1,956	-	3,130	
Total assets	\$ 56,353	\$ 2,658	\$ 114,347	\$ 76,898	\$ 91,948	\$ 453,156	\$ 795,360	
LIABILITIES								
Accounts payable	\$ -	\$ 2,658	\$ -	\$ -	\$ -	\$ -	2,658	
Interfund payable	-	-	-	987	16,440	-	17,427	
Deferred revenue	-	-	-	24,979	34,233	-	59,212	
Total liabilities	-	2,658	-	25,966	50,673	-	79,297	
FUND BALANCES								
Unreserved, undesignated	56,353	-	114,347	50,932	41,275	453,156	716,063	
Total liabilities and fund balances	\$ 56,353	\$ 2,658	\$ 114,347	\$ 76,898	\$ 91,948	\$ 453,156	\$ 795,360	

EXHIBIT 11
TOWN OF WALPOLE, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2010

	Special Revenue Funds							Total
	Library	Energy Grant	Conservation Commission	Water Department	Sewer Department	Expendable Trust		
REVENUES								
Taxes	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental	-	128,366	-	-	-	-	-	25,000
Charges for services	-	-	-	165,296	194,728	-	-	128,366
Miscellaneous	26,273	-	5,549	2,564	502	40,916	-	360,024
Total revenues	26,273	128,366	30,549	167,860	195,230	40,916	-	75,804
								589,194
EXPENDITURES								
Current:								
Sanitation	-	-	-	-	174,510	-	-	174,510
Water distribution and treatment	-	-	-	144,176	-	-	-	144,176
Culture and recreation	60,974	-	-	-	-	1,300	-	62,274
Conservation	-	-	9,548	-	-	-	-	9,548
Capital outlay	-	128,366	-	-	-	-	-	128,366
Total expenditures	60,974	128,366	9,548	144,176	174,510	1,300	-	518,874
Excess (deficiency) of revenues over (under) expenditures	(34,701)	-	21,001	23,684	20,720	39,616	-	70,320
Other financing sources (uses):								
Transfers in	27,626	-	5,555	-	-	15,013	-	48,194
Transfers out	-	-	-	-	(9,769)	(14,158)	-	(23,927)
Total other financing sources and uses	27,626	-	5,555	-	(9,769)	855	-	24,267
Net change in fund balances	(7,075)	-	26,556	23,684	10,951	40,471	-	94,587
Fund balances, Beginning, as restated, see Note III.D.	63,428	-	87,791	27,248	30,324	412,685	-	621,476
Fund balances, ending	\$ 56,353	\$ -	\$ 114,347	\$ 50,932	\$ 41,275	\$ 453,156	\$ -	\$ 716,063

EXHIBIT 12
TOWN OF WALPOLE, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2010

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,561,874	\$ 1,583,870	\$ 21,996
Land use	-	10,110	10,110
Timber	6,000	5,641	(359)
Excavation	3,000	2,530	(470)
Interest and penalties on delinquent taxes	45,000	53,114	8,114
Total taxes	1,615,874	1,655,265	39,391
Licenses, permits and fees:			
Business licenses and permits	25	25	-
Motor vehicle permits	570,000	544,887	(25,113)
Building permits	30	41	11
Other	27,895	26,420	(1,475)
Total licenses, permits and fees	597,950	571,373	(26,577)
Intergovernmental:			
State sources:			
Meals and rooms distributions	163,348	163,348	-
Highway block grant	128,520	128,520	-
Water pollution grant	220,988	220,988	-
Emergency management, Railroad tax	3,102	9,105	6,003
Federal sources:			
COPS grant	70,842	-	(70,842)
Total intergovernmental	586,800	521,961	(64,839)
Charges for services:			
Income from departments	205,500	245,293	39,793
Miscellaneous:			
Sale of property	2,000	2,400	400
Interest on investments	20,000	6,316	(13,684)
Rents	-	5,328	5,328
Fines and forfeits	-	3,381	3,381
Insurance dividends and reimbursements	-	6,989	6,989
Other	7,350	5,468	(1,882)
Total miscellaneous	29,350	29,882	532
Other financing sources:			
Transfers in:			
Permanent fund	7,000	5,798	(1,202)
Nonmajor funds	9,769	10,927	1,158
Long-term debt issued	372,000	-	(372,000)
Total other financing sources	388,769	16,725	(372,044)
Total revenues and other financing sources	3,424,243	\$ 3,040,499	\$ (383,744)
Use of fund balance to reduce taxes	12,700		
Total revenues, other financing sources and use of fund balance	<u>\$ 3,436,943</u>		

EXHIBIT 13
TOWN OF WALPOLE, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2010

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 109,253	\$ 106,161	\$ -	\$ 3,092
Election and registration	-	103,709	84,658	-	19,051
Financial administration	-	135,575	122,103	-	13,472
Legal	-	10,000	3,158	-	6,842
Planning and zoning	-	8,212	4,969	-	3,243
General government buildings	15,301	49,226	58,516	-	6,011
Cemeteries	-	37,252	30,530	-	6,722
Insurance, not otherwise allocated	-	25,243	24,897	-	346
Advertising and regional associations	-	6,666	6,666	-	-
Total general government	15,301	485,136	441,658	-	58,779
Public safety:					
Police	-	477,489	431,577	-	45,912
Emergency management	-	16,000	5,770	-	10,230
Total public safety	-	493,489	437,347	-	56,142
Highways and streets:					
Highways and streets	-	1,526,018	1,437,921	70,373	17,724
Street lighting	-	35,000	23,905	-	11,095
Total highways and streets	-	1,561,018	1,461,826	70,373	28,819
Sanitation:					
Solid waste disposal	-	338,884	324,111	-	14,773
Solid waste clean-up	-	5,000	1,908	-	3,092
Total sanitation	-	343,884	326,019	-	17,865
Health:					
Health agencies and hospitals	-	22,500	23,061	-	(561)
Welfare:					
Administration	-	5,414	3,890	-	1,524
Vendor payments	-	23,500	22,460	-	1,040
Total welfare	-	28,914	26,350	-	2,564
Culture and recreation:					
Parks and recreation	-	66,773	56,942	-	9,831
Public library	-	73,241	75,287	-	(2,046)
Patriotic purposes	-	635	658	-	(23)
Other	-	12,200	6,191	-	6,009
Total culture and recreation	-	152,849	139,078	-	13,771

(continued)

EXHIBIT 13 (continued)
TOWN OF WALPOLE, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2010

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal	-	306,927	306,927	-	-
Interest	-	17,471	17,471	-	-
Total debt service	-	324,398	324,398	-	-
Other financing uses:					
Transfers out:					
Permanent fund	-	-	2,250	-	(2,250)
Nonmajor funds	-	24,755	29,768	-	(5,013)
Total other financing uses	-	24,755	32,018	-	(7,263)
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 15,301</u>	<u>\$ 3,436,943</u>	<u>\$ 3,211,755</u>	<u>\$ 70,373</u>	<u>\$ 170,116</u>

EXHIBIT 14
TOWN OF WALPOLE, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2010

Unreserved, undesignated fund balance, beginning, as restated, see Note III.D.		\$	848,783
Changes:			
Unreserved fund balance used to reduce tax rate			(12,700)
Budget summary:			
Revenue shortfall (Exhibit 12)	\$	(383,744)	
Unexpended balance of appropriations (Exhibit 13)		<u>170,116</u>	
Budget deficit			(213,628)
Increase in reserve for tax deeded property			<u>(16,275)</u>
Unreserved, undesignated fund balance, ending		\$	<u><u>606,180</u></u>



Roberts, Greene & Drolet, PLLC

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND CERTAIN OTHER MATTERS

To the Members of the Board of Selectmen
Town of Walpole, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Walpole as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Walpole's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Town of Walpole's internal control to be a significant deficiency.

Treasurer's Reconciliation

Additional time was spent reconciling the Treasurer's report to the general ledger. During that time, it was noted that the Treasurer does not prepare a reconciliation of the bank accounts to a Treasurer's report. We recommend that the Treasurer reconcile to the bank monthly, and that reconciliation be provided to the financial services clerk in order to assist in reconciling the general ledger cash account.

We also identified the following other matter that we feel is an area for improvement in internal controls.

Collateralization of Accounts (Repeat Finding)

We recommend that the Town work with its banking institutions to obtain collateralization for its account balances.

This communication is intended solely for the information and use of management, the board of selectmen, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

September 19, 2011

Roberts, Greene & Drolet, PLLC

